# REPORT OF
# THE ADVISORY COMMITTEE
# TO THE STUDENT FINANCIAL
# ASSISTANCE REVIEW

MARCH 3, 1987

## EXECUTIVE SUMMARY

The Report of the Advisory Committee to the Student Financial Assistance Review:

- emphasizes the importance of post-secondary education for economic, social and cultural purposes.

- confirms the serious inadequacy of the current British Columbia Student Assistance Program.

- develops a straightforward, two-element theme: no qualifying student demonstrating financial need should be denied access to post-secondary education because sufficient financial assistance is not available; and all students receiving assistance should accept personal responsibility for trying to reduce their financial need, for repaying loans, and for making the best use of their educational opportunities.

- proposes a comprehensive student financial assistance model in which costs are distributed amongst British Columbia students, parents and government. The model requires all students who need financial assistance to continue to borrow but establishes a debt ceiling for those who complete their program of study. For these students, debt above the ceiling would be remitted. The model also equalizes the burden for students with legitimate above-average need by providing some non-repayable funds.

- identifies a number of administrative and other problems and proposes solutions for some, and further study for others.

- proposes a number of innovative ideas aimed at reducing student financial need, enhancing the ability for students with the highest need to obtain summer employment, and encouraging high academic standards.

- identifies problems with the Canada Student Loan Program which require immediate attention.

A list of the Committee's recommendations follows.

## LIST OF RECOMMENDATIONS

1. It is recommended that student debt be limited and that the ceiling be dependent on the length and level of program. Ceilings should be reviewed annually. In 1987/88 the maximum debt ceiling for a first degree or diploma should be $12,000.

2. It is recommended that repayment arrangements for both federal and provincial student loans be made flexible and more responsive to the situations of students experiencing legitimate difficulties in repaying their loans.

3. It is recommended that the Province make strong representation to the federal government calling for improvements to the Canada Student Loan Program repayment policy.

4. It is recommended that the additional costs to students who must relocate be recognized and addressed.

5. It is recommended that the allowances for students living away from home be raised by $25 per week to $125 for 1987/88 and the allowances should be reviewed on an annual basis.

6. It is recommended that the maximum levels of assistance be adjusted to fully recognize the need experienced by students.

7. It is recommended that the yearly maximum assistance for students with dependents should be raised to $9,500, and the maximum assistance level reviewed annually.

8. It is recommended that pre-set allowances for materials be eliminated and approved program costs used.

9. It is recommended that further study be undertaken by the Ministry of Advanced Education and Job Training on program costing and the inclusion of legitimate costs in the funding of programs.

10. It is recommended that legitimate educational services for the disabled be recognized and met by non-repayable student assistance.

11. It is recommended that provincial assistance be based on a weekly allowance.

12. It is recommended that the 12 week minimum requirement for course length be reduced to 6 weeks.

13. It is recommended that eligibility criteria and other administrative problems associated with continuous entry/exit programs and distance education programs receive further study.

14. It is recommended that costs of fees and books incurred by students studying at the Grade 11 and 12 levels be covered by non-repayable funds.

15. It is recommended that the budget for the Adult Basic Education Student Assistance Program (which provides funding for direct educational costs for ABE students studying below the Grade 11 level) be increased substantially.

16. It is recommended that the current definitions of full-time and part-time student be reviewed and revised if necessary.

17. It is recommended that the Ministry of Advanced Education and Job Training and the Ministry of Social Services and Housing agree upon who is responsible for providing daycare services to post-secondary students in the province.

18. It is recommended that in the calculation of daycare subsidy level fees and books should be included as expenses and student loans should not be included as resources.

19. It is recommended that a standing committee, similar in composition to the Advisory Committee and with some continuity with the present Committee, be established to review student financial assistance in British Columbia on a regular basis and to recommend changes where necessary. This report has identified a number of areas which require further study. A standing committee could facilitate this process.

20. It is recommended that the provincial government invite the federal government to co-operate in developing a summer job enhancement program which would give a high priority to providing jobs to post-secondary students with the greatest need.

21. It is recommended that the proposed Standing Committee consider further the proposal for establishing a tax-deductible registered educational savings plan.

22. It is recommended that the Ministry of Education review the present Grade 12 Scholarship Program and consider the development of a scholarship credit plan.

23. It is recommended that the proposed Standing Committee consider further the proposal for a combination scholarship credit and savings plan, as well as alternative plans designed to achieve similar objectives.

24. It is recommended that the Ministry of Advanced Education and Job Training establish a corporate and private donations matching-grant program for scholarships.

25. It is recommended that the concept of an educational bond issue be considered by government.

26. It is recommended that the Ministry of Advanced Education and Job Training and the Ministry of Finance and Corporate Affairs investigate the possibility of establishing a provincial lending agency.

27. It is recommended that the Ministry of Education ensure, through the Consumer Education program, that students are fully informed of:
    (i) the funding alternatives available to enable all qualifying students to obtain access to post-secondary education; and
    (ii) the obligations assumed by students in using the various alternatives.

28. It is recommended that pre-loan counselling be provided to students requesting loans.

29. It is recommended that a watching brief be maintained on the income contingent pilot project recently established by the U.S. government.

30. It is recommended that the criteria for determining dependent/independent status be reviewed and changed in order to better reflect reality. This should be a priority item.

31. It is recommended that the levels of parental contribution be reviewed. This should be a priority item.

32. It is recommended that changes suggested by the Student Services Branch Review should be considered for early implementation.

33. It is recommended that electronic data transfer development be given priority in the Ministry of Advanced Education and Job Training management information system plan.

34. It is recommended that a review be undertaken to determine the most effective method of program delivery (centralization/ decentralization).

35. It is recommended that the Province of British Columbia should continue to work with the other provinces to improve the Canada Student Loan Program. <u>This must be given a high priority.</u>

36. It is recommended that the Ministry of Advanced Education and Job Training examine the implications of providing provincially-funded student financial assistance to students attending private trade schools and non-public institutions.

## ADVISORY COMMITTEE

## STUDENT FINANCIAL ASSISTANCE REVIEW

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## I. INTRODUCTION

In October, 1986, the Premier of British Columbia, the Honourable W. Vander Zalm, called for a review of student financial assistance, assigning the task to the Honourable Stanley B. Hagen, Minister of Advanced Education and Job Training. The Minister, in turn, established an Advisory Committee with representatives of the public, students, university and college student services personnel, and ministry officials.

The Advisory Committee sought submissions from interested parties province-wide, and received more than 120 submissions. Both the number and content of these submissions indicate a high level of public concern for student financial assistance. The Committee is satisfied that the various points of view on student financial assistance held throughout the province have been well represented in these submissions. There is a widespread perception that many legitimate student needs are not being met by current programs. The major focus of the Committee's report is, therefore, on need-based assistance.

The Committee deliberated at 15 all-day meetings between early December and late February, reviewing provincial, national, and international research documents, discussing issues raised in the submissions, and formulating recommendations. The discussions were wide-ranging and intensive. Recommendations were arrived at by consensus.

The Committee's report develops a straightforward, two-element theme: no qualifying student demonstrating financial need should be denied access to post-secondary education because sufficient financial assistance is not available; and <u>all</u> students receiving assistance should accept personal responsibility for trying to reduce their financial need, for repaying loans, and for making the best use of their educational opportunities. The theme combines the principles of equality of opportunity and full acceptance of personal responsibility.

The Committee's report follows a logical sequence from unanimously accepted statements of assumptions and principles, through identification of issues, to conclusions and recommendations. Rather than seeking piece-meal resolutions to a variety of specific issues, the Committee has sought to develop a comprehensive yet flexible model for student assistance consistent with its accepted principles and capable of implementation in stages over several years. This model will bring much needed stability and rationality to a critical aspect of advanced education.

## II. BACKGROUND

Since the early part of this century, and especially since World War II, British Columbia has built a system of advanced education consisting of three public universities, fifteen community colleges, and a number of other educational institutions in which its citizens can take much pride. We are all beneficiaries of the vision and determination of government and educational leaders of the past.

While British Columbia has an excellent advanced education system, this system may not have achieved its full potential. One reason for this is the inadequacy of the British Columbia Student Assistance Program.

Prior to the 1960's, the need for student financial assistance programs in Canada was small compared with the need today. Thirty years ago, well-paid summer employment opportunities were plentiful. Today, the situation is vastly different. Not only are there many more students looking for summer jobs, but opportunities in what were once labour-intensive primary industries have drastically decreased. Tax-supported employment programs, such as the Summer Employment Program (Challenge '86), have proven ineffective in providing sufficient financial assistance to students. Not only have they not provided enough jobs, but the low rates of pay have made meaningful saving impossible.

It should be noted that post-secondary student demographics have changed over the past decade, with an increased proportion of students with high financial need. Today mature students, married students, students with dependents, single parents and handicapped students represent a substantial proportion of the student population.

Since the 1960's, all provinces (and indeed most countries) have developed extensive student financial assistance programs. The Committee believes that the British Columbia program (See Appendix 5 for a description of the program) is poorly targetted and seriously underfunded at the present time. In 1982/83, British Columbia ranked 7th out of 10 provinces in financial assistance expenditure per full-time equivalent student. A year later it had fallen to 10th place (as Table I in Appendix 1 indicates). While the student financial assistance expenditures per full-time equivalent have increased markedly over the past year in British Columbia they have also increased in most other provinces, and British Columbia remains in 10th place. In 1984, British Columbia became the only Canadian province to restrict its student financial assistance program to loans only. A British Columbia loan remission program for students who completed their studies (amounting, on average, to only 9% of a student's total loan) was incorporated into this all-loan program. But two years later, in 1986, British Columbia students, not surprisingly, were recording disturbingly high average debt loads as well as alarmingly high loan default rates.

Early in its discussions, the Committee noted that British Columbia's post-secondary students have been hard hit in recent years by the simultaneous impact of four factors:

(1) the policy change from a grant to a loan program, resulting in significantly higher student debt levels

(2) the scarcity of summer employment, particularly employment paying above minimum wage

(3) the increase in tuition fees and cost of books (doubled since 1981)

(4) the increase in living and transportation costs, particularly affecting rural students who must relocate.

Details in some of the cases contained in the submissions give strong evidence of the severity of adverse effects from these factors. Many capable young people have not been able to continue their education, and in the long run it is our society which is the loser.

## III. BASIC ASSUMPTIONS AND PRINCIPLES

People are our most precious resource. Today's rapidly changing world calls for serious and sustained investment in human capital. The major functions of post-secondary education are to advance knowledge and to increase human capital, to develop skills and to enrich the quality of life. This view is widely accepted in our society.

The Committee, in reviewing the submissions and in studying the evidence, is convinced that a major improvement in student financial assistance is needed if we are to make the most of our valuable human resources. These resources need to be developed in British Columbia no less than elsewhere, not only for an essential economic purpose, but also for more encompassing social and cultural purposes.

The Committee also believes that British Columbians want our society to strive towards equality of opportunity. The Committee believes that considerations of equity should determine how costs are apportioned between student and society and that excellence and achievement should be recognized and encouraged.

From the foregoing assumptions accepted by the Committee, four basic principles were developed and approved. These have guided the work of the Committee throughout the review process.

**Principle No. 1** There should be equality of access to post-secondary education in that limited financial resources should not be a barrier. Where there are inequalities, assistance should be directed to removing these in order to permit equal access.

**Principle No. 2** As both society and students are beneficiaries of post-secondary education, the costs and responsibilities should be recognized and shared between society, the student, and in the case of a dependent student, the student's parents.

**Principle No. 3** Both need-based and merit-based programs are important components of a comprehensive student assistance program, but they should be clearly differentiated.

**Principle No. 4** A student assistance program should encourage successful and timely completion of a program of study.

## IV. ISSUES

### (1) DEBT LOAD

Excessive student debt load was the most frequently mentioned problem in submissions to the review.

Student debt load results from two separate loan programs - the federally funded Canada Student Loan Program (C.S.L.) and the provincially funded British Columbia Student Loan Program (B.C.S.L.). Prior to 1982- 83 the C.S.L. loan limit for a four year program was $7,200. In 1982 - 83 the yearly maximum amount a student could borrow under the C.S.L. Program nearly doubled and in 1984-85 the B.C.S.L. Program replaced what had previously been a grant program. The result of these changes has been a dramatic increase in the accumulated debt of students in British Columbia. Over the last few years, the combined maximum loan limit in a four year program has risen to $23,880. Default rates have risen and will continue to do so as debt loads increase. This has financial and moral implications for both government and students. Student loans are a major factor for approximately 20% of the individuals who currently seek counselling with the Debtor Assistance Branch of the Ministry of Labour and Consumer Affairs. Appendix 2 provides data which show that the current student assistance system is placing a heavy financial burden on British Columbia's students. It can be expected that the average debt loads will rise over the next two years since the full impact of the British Columbia Student Loan Program will not be felt until 1988.

The Committee believes that a limit should be placed on the size of the total debt (both federal and provincial) which a student should be expected to assume. To this end, the Committee recommends the establishment of debt ceilings. The debt ceilings would be in place along with a rigorous need

assessment and verification process and a program completion requirement. Debt above these ceilings should be forgiven. This will ensure that British Columbia's students do not assume unreasonable debts, that the financial assistance is targetted at those with legitimate financial need, and that the financial assistance program encourages successful and timely completion of a program of study.

The establishment of debt ceilings will help to reduce the default rate. While the default rate is directly related to the debt burden, it is exacerbated by the inflexible repayment policies of the Canada Student Loan Program. Repayment requirements must be amended to recognize the varying circumstances of the borrower.

**Recommendations**

1. It is recommended that student debt be limited and that the ceiling be dependent on the length and level of program. Ceilings should be reviewed annually. In 1987/88 the maximum debt ceiling for a first degree or diploma should be $12,000.

2. It is recommended that repayment arrangements for both federal and provincial student loans be made flexible and more responsive to the situations of students experiencing legitimate difficulties in repaying their loans.

3. It is recommended that the Province make strong representation to the federal government calling for improvements to the Canada Student Loan Program repayment policy.

## (2) GEOGRAPHIC INEQUITIES

The cost for a student attending a post-secondary institution while living at home is much lower than for a student who must relocate. The British Columbia college system provides students with some opportunity to pursue post-secondary education in their communities. However, community colleges do not always offer desired programs and students must relocate to attend an institution where the desired program is offered. It is estimated that 25% of all full-time post-secondary students receiving financial assistance have relocated. The inequity of additional cost is a factor in the lower participation rates for rural students.

**Recommendation**

4. It is recommended that the additional costs to students who must relocate be recognized and addressed.

## (3) ADEQUACY OF LIVING ALLOWANCES

The living allowances used in assessing student needs, particularly for students living away from the parental home, do not accurately reflect the living costs. The Committee has reviewed living costs and recommends that the allowances be increased.

**Recommendation**

5. It is recommended that the allowances for students living away from home be raised by $25 per week to $125 for 1987/88 and the allowances should be reviewed on an annual basis.

## (4) ADEQUACY OF MAXIMUM ASSISTANCE LEVELS

In the submissions to the review, the inadequacy of current maximum financial assistance levels was often mentioned. Many students do not receive adequate funding through the present assistance program even after need is proven.

**Recommendation**

6. It is recommended that the maximum levels of assistance be adjusted to fully recognize the need experienced by students.

## (5) OTHER ISSUES

### (a) Students with dependents

Students with dependents have more demands on their resources than single students. Currently these extra demands are recognized in the need assessment, but often the maximum assistance a single parent or a married student with dependents can receive is well below the assessed need. The Committee believes that the assistance available for students with dependents should better reflect their level of need.

**Recommendation**

7. It is recommended that the yearly maximum assistance for students with dependents should be raised to $9,500, and the maximum assistance level reviewed annually.

### (b) Recognition of Extraordinary Educational Costs

Some programs of study have extraordinary costs associated with them. Currently, a student's financial need is assessed using a pre-set maximum allowance for books, supplies and equipment. There is no provision for costs above the maximum. The Committee believes actual program costs should be recognized in determining a student's financial need. The Committee noted, from the submissions, the tendency for some institutions to off-load costs to students by supplemental fees.

The Committee recognizes that in some cases actual program costs could include the acquisition of assets by students (e.g. a camera for a photography program or a micro-computer for a computer program). Additional study is needed to determine an appropriate and equitable means of financing these costs; however, the Committee suggests that non-remittable loans be considered as a means of meeting these costs.

**Recommendations**

8. It is recommended that pre-set allowances for materials be eliminated and approved program costs used.

9. It is recommended that further study be undertaken by the Ministry of Advanced Education and Job Training on program costing and the inclusion of legitimate costs in the funding of programs.

## (c) Disabled Students

Physically disabled students incur additional costs in pursuing post-secondary education. The Committee believes that student financial assistance is the appropriate source of funding for legitimate educational costs. There is an inter-ministerial group currently working on the problems in this particular area. This group should defer to the Ministry of Advanced Education and Job Training for definition of legitimate educational services.

### Recommendation

10. It is recommended that legitimate educational services for the disabled be recognized and met by non-repayable student assistance.

## (d) Program Length

The Committee reviewed several issues which relate to program length. The maximum British Columbia Student Loan available does not differ with program lengths between 34 and 52 weeks. Consequently students taking longer programs are penalized. The Committee feels that this inequity should be addressed by basing the provincial assistance on a weekly maximum amount rather than a yearly maximum amount.

Many students enrol in programs which are shorter than 12 weeks in duration. Under current criteria students taking programs under 12 weeks in length are ineligible for financial assistance through the Canada Student Loan and British Columbia Student Loan Programs. The Committee feels that the criteria should be changed to accomodate students enrolled in short term programs.

Continuous entry students have needs which differ from those of the traditional student. In many instances they do not have sufficient lead time to apply for and receive financial assistance. Further study is required in this area to ensure that students in continuous entry programs receive assistance when required.

**Recommendations**

11. It is recommended that provincial assistance be based on a weekly allowance.

12. It is recommended that the 12 week minimum requirement for course length be reduced to 6 weeks.

13. It is recommended that eligibility criteria and other administrative problems associated with continuous entry/exit programs and distance education programs receive further study.

**(e) Adult Basic Education (ABE)**

Some students in the province who need to upgrade their academic skills and certification in order to qualify for further education or job training take this upgrading on a full time basis at a college. These students are incurring educational costs which, for a student in the secondary school system, would be met by school boards. Students who are studying at the Grade 11 and 12 levels and progressing to career and job training are currently eligible for federal and provincial loans. Students studying below the Grade 11 level

are not eligible for Canada Student Loan or British Columbia Student Loan but are eligible for minimal funding under the Adult Basic Education Student Assistance Program. A recent study concluded that while this program is well conceived and administered, it is seriously underfunded.

**Recommendations**

14. It is recommended that costs of fees and books incurred by students studying at the Grade 11 and 12 levels be covered by non-repayable funds.

15. It is recommended that the budget for the Adult Basic Education Student Assistance Program (which provides funding for direct educational costs for ABE students studying below the Grade 11 level) be increased substantially.

**(f) Part-Time**

Over the last 10 years there has been a steady increase in the number of students enrolled in post-secondary studies on a part-time basis. Currently the only assistance available for part-time students is the federal Part-time Loan Program. For many reasons this program is inadequate.

**Recommendation**

16. It is recommended that the current definitions of full-time and part-time student be reviewed and revised if necessary.

**(g) Daycare**

Many students with dependents who require daycare services rely on the daycare subsidy provided by the Ministry of Social Services and Housing. There are a number of problems for students concerning the daycare subsidy. The Committee feels that co-operation between the Ministry of Advanced Education and Job Training and the Ministry of Social Services and Housing is required to ensure that students in the province are provided with fair and equitable funding for daycare services.

Suggestions which were mentioned in the submissions to the Committee included:

(i) the subsidy should be increased to cover the full cost of daycare.
(ii) a two-student family should be eligible for daycare subsidy.

**Recommendation**

17. It is recommended that the Ministry of Advanced Education and Job Training and the Ministry of Social Services and Housing agree upon who is responsible for providing daycare services to post-secondary students in the province.

18. It is recommended that in the calculation of daycare subsidy level fees and books should be included as expenses and student loans should not be included as resources.

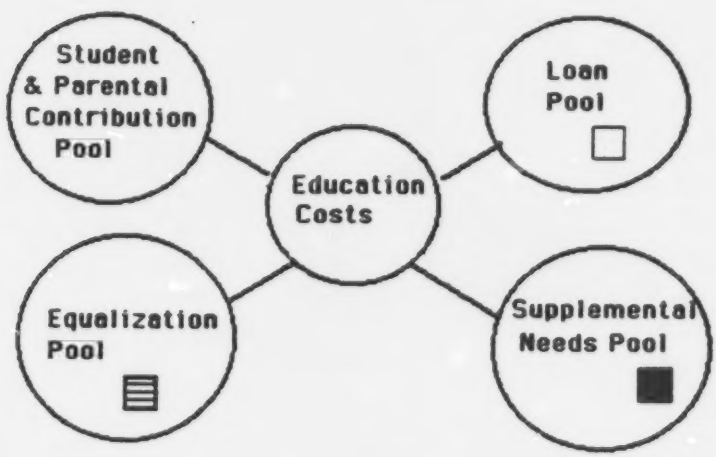
## V. CONCEPTUAL FRAMEWORK FOR FUNDING

Having looked at the issues, the Committee turned its attention to solutions. A student financial assistance model has been developed which addresses the debt load problem and is sensitive to the inequities which are barriers to participation in post-secondary education.

The model, to be described in Section VI, is based on the principles outlined earlier in the report and draws its funding from four "pools" as illustrated in Figure 1.

Figure 1

**BCSAP Conceptual Framework for Funding**




The "Student and Parental Contribution Pool" acknowledges the financial responsibility of students and parents for the student's education. The model continues to assume appropriate contributions from students and parents in arriving at the level of assistance. The level of contribution is determined in the assessment process (See Appendix 3).

The "Loan Pool" acknowledges the benefits which accrue to both students and society from post-secondary education. There should be recognition that the economic benefit to the individual is not limitless. A balance must be struck between the extent to which students are expected to mortgage their futures and the costs which society will assume in order to have an educated population. The point of balance is reflected in the debt ceiling, beyond which a student's debt will be reduced by remission.

The "Equalization Pool" recognizes that there are students who require additional assistance. These include students who must relocate and/or have dependents.

The "Supplemental Needs Pool" recognizes that there are students with supplementary needs. Included in this group are Adult Basic Education students and students with disabilities.

## VI. THE PROPOSED STUDENT FINANCIAL ASSISTANCE MODEL

The model is comprised of three basic elements which interact to limit overall debt, reduce the disparity in costs between students who live at home and those who live away, and assist students who have special needs. At the same time it places increased emphasis on academic performance to qualify for continued assistance. The Committee focused initially on debt ceilings. Debt ceilings of $12,000 for the first degree or equivalent and $16,000 for the second degree or equivalent were established to recognize the varying ability to repay. These ceilings are based on the level of education ultimately achieved. (See Appendix 4 for a detailed description of the rationale.) The Committee agreed that the existing concept of loan remission provided the most practical mechanism for addressing the debt ceiling. Students in need would be eligible to borrow beyond the debt ceiling but would have their loans remitted down to the ceiling on program completion.

The Committee considered several options to reduce the inequity between students who live in the family home and those who must live away. Also considered was the need to encourage qualified students to enter the post-secondary stream. The model assumes that all assistance applicants in the first two years of study (as distinct from the first two years of application) will borrow to meet their direct educational costs (fees, books, miscellaneous, and local transportation costs). This level will differ between college students ($2,250) and university students ($3,000). Students who require additional assistance in the first two years of study (primarily those students who are unable to live in the family home) will require support from the Equalization Fund. In addition students will be eligible for an equalization payment of up to $500 to cover the cost of return travel from home to the institution attended. Payments from the Equalization Fund will reduce the disparity for students whose need is increased by the

extra cost of room, board and travel. It should be noted that in third and fourth years students will not be eligible for equalization payments.

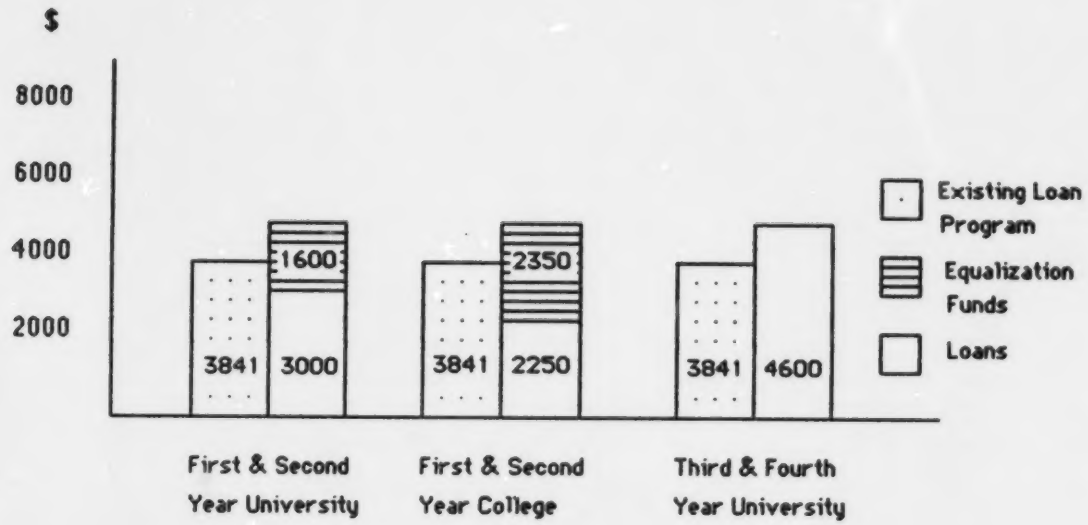
The Supplemental Fund will assist students with special needs such as students on academic upgrading programs (i.e. ABE) and disabled students. The Committee believes that qualified ABE students should receive supplemental assistance to meet the costs of fees and books which, for a student in the regular school system, would be met by school boards. Disabled students with special needs could also qualify for assistance from the supplemental funds.

Finally the Committee reviewed the need for increased emphasis on scholastic attainment. Students would remain eligible for the British Columbia Student Assistance Program for the normal number of academic periods required to complete the program plus one extra period (e.g. four years plus one year for a B.A.). Students would be required to satisfactorily complete the first year of study in order to receive support from the Equalization Fund in the second year. Students would qualify for remission only on completion of the program.

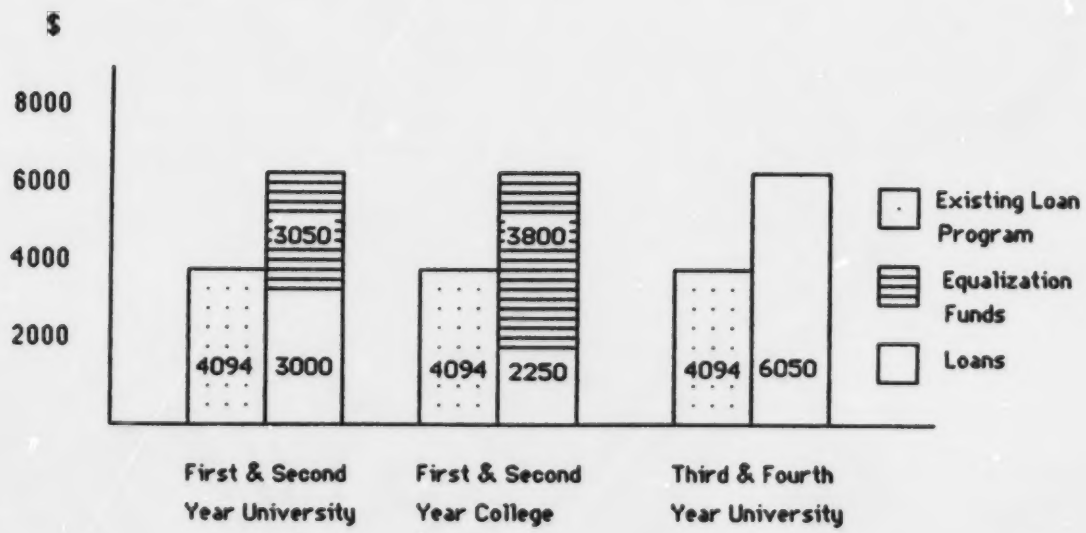
The proposed model is depicted in graphic form in Figures 2 and 3 below. Figure 2 indicates average assistance levels if the proposed model were implemented immediately at the levels suggested by the Committee. Figure 3 represents the maximum assistance levels preferred by the Committee.

Figure 2

## BCSAP-Average Award Levels-Current and Proposed




Applicants without Dependent Children



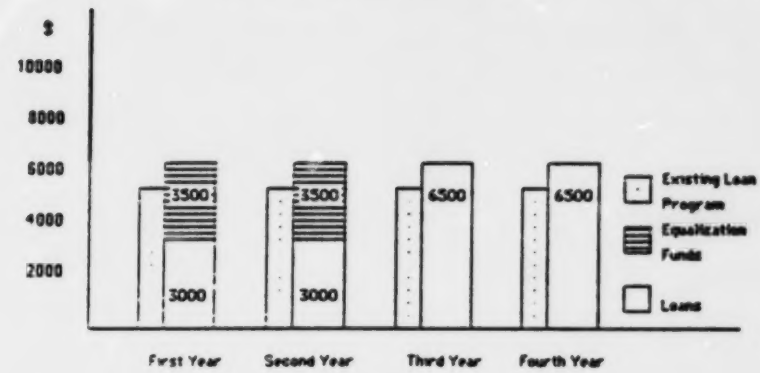

Applicants with Dependent Children

Source: Ministry of Advanced Education and Job Training

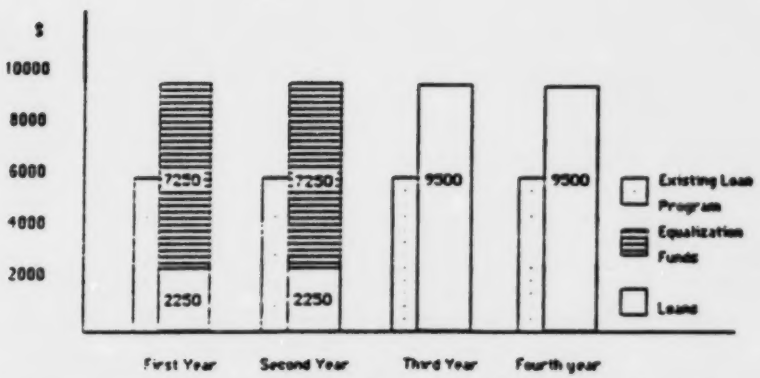
Figure 3

**Proposed Student Financial Assistance Model**

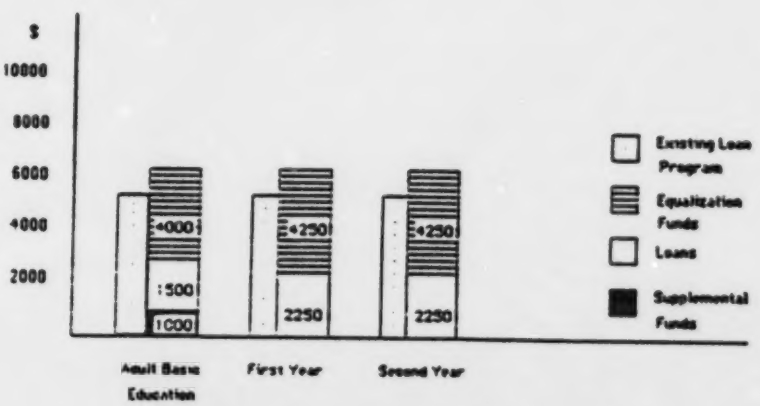
( current and proposed maximum limits )




Group A/B Single-8month university year




Married with dependents/Single parents-8 month college year




Adult Basic followed by 2 years of college

Source: Ministry of Advanced Education and Job Training

TABLE I

APPLICATION OF THE MODEL TO ISSUES IDENTIFIED

| Issues | Solutions |
|---|---|
| 1. excessive debt load | 1. debt ceilings and remission |
| 2. inequality of access | 2. equalization payments for students in 1st and 2nd years of post-secondary education |
| 3. additional costs of re-location incurred by rural students | 3. equalization payments for students who must relocate |
| 4. additional costs incurred by those who must upgrade academically and the physically disabled | 4. supplementary payments |
| 5. assistance programs not meeting realistic costs | 5. increased assistance levels |

## VII. IMPLEMENTATION

The Committee feels that in recognition of the prevailing economic conditions in the province, it is realistic to phase in the implementation of the proposed model over 3 years. It is important to note that this may be achieved without sacrificing the integrity or the goals of the model. The Committee recognizes that there are a number of implementation issues which must be addressed as the model is introduced (e.g. grandfathering of students already in the system).

**Proposed 3-Year Phase-In**

1987/88 - loan ceilings introduced for first and second degrees of $12,000 and $16,000
- equalization payments introduced for 1st year of post-secondary enrollment
- increased living allowances introduced
- travel allowance for students who must relocate
- supplementary needs payments for ABE students
- 33% of assistance ceiling increase introduced

**Net Cost $15 M**

1988/89 - equalization payments introduced for 2nd year of post-secondary enrollment.
- additional 33% of assistance ceiling increase introduced.

**Cumulative Net Cost $40 M**

1989/90 - final 33% of assistance ceiling increase introduced.

**Cumulative Net Cost $50 M**

## TABLE II

## FUNDING STRATEGY FOR IMPLEMENTATION

| | 1987/88 ($M) | 1988/89 ($M) | 1989/90 ($M) | 1990/91 ($M) | 1991/92 ($M) |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| Equalization Payment | 15.0 | 33.0 | 36.0 | 36.0 | 36.0 |
| Remission* | .0 | 8.5 | 15.5 | 18.6 | 15.5 |
| Relocation | .5 | 1.0 | 1.0 | 1.0 | 1.0 |
| ABE | .5 | .5 | .5 | .5 | .5 |
| | 16.0 | 43.0 | 53.0 | 56.1 | 53.0 |
| **Less Reductions** | | | | | |
| College Transfer | .1 | .1 | .1 | .1 | .1 |
| Grade 12 Reloc. | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| P.S. Scholarship | - | 1.7 | 1.7 | 1.7 | 1.7 |
| | 1.1 | 2.8 | 2.8 | 2.8 | 2.8 |
| **APPROXIMATE COST OF NEW PROGRAM** | **15.0** | **40.0** | **50.0** | **53.0** | **50.0** |

* Remission will be granted on April 1st of each year and will apply to those students who qualified in the previous 12 months.

NOTES:

1. The College Transfer and Grade 12 Relocation Programs developed from the Funds for Excellence were designed to assist with relocation costs. These costs are now provided for in the model.

2. Savings from the Post Secondary Scholarship fund can be made in 1988/89 and subsequent years by cancelling the present program and applying half of the funding to a corporate and private matching-grants program (see page 31).

3. The Summer Employment Program (Challenge '87) may represent another source of funds that could be applied towards the cost of the new program.

## VIII. STANDING COMMITTEE

The Committee believes that a review of student financial assistance programs on a regular basis is necessary to ensure both effective and efficient use of the Province's financial assistance dollars. This on-going review must be responsive to changes in the social and economic environment which have an impact on the needs of students.

**Recommendation**

19. It is recommended that a standing committee, similar in composition to the Advisory Committee and with some continuity with the present Committee, be established to review student financial assistance in British Columbia on a regular basis and to recommend changes where necessary. This report has identified a number of areas which require further study. A standing committee could facilitate this process.

## IX. ADDITIONAL TOPICS

### (1) Innovative Proposals

Having developed a comprehensive model for need-based student financial assistance, with responsibility shared between government, students, and dependent students' parents, the Committee turned its attention to additional innovative ideas. These are aimed principally at reducing student financial need, enhancing the ability of students with the highest need to obtain summer employment, and encouraging high academic standards at both secondary and post-secondary levels.

(a) Summer Employment Enhancement

As stated in the background section of this report, there are not as many well paying summer employment opportunities as there were a generation ago. The Committee believes a serious effort should be made by the provincial and federal governments to enhance summer job opportunities through a program of subsidies to employers carefully targetted to benefit post-secondary students with the greatest financial need. Such a program, in addition to benefitting students by reducing their need for financial assistance, would benefit society as well by enabling students to work in productive ways while reducing the cost of the government's financial assistance program in the following year.

**Recommendation**

20. It is recommended that the provincial government invite the federal government to co-operate in developing a summer job enhancement program which would give a high priority to providing jobs to post-secondary students with the greatest need.

(b) Registered Educational Savings Plan

There are presently a number of registered educational savings plans which have encouraged parents to save for their children's future education. None of these plans, however, provides significant tax benefits to the contributor. A tax-deductible savings plan along the lines of the registered retirement savings plan could appeal to many families, and would, by encouraging parental savings for educational purposes, bring benefits to government in reducing student need for financial assistance. More study is needed to ascertain how such a plan might work in practice and what strategy would best gain the interest and commitment of the federal government.

**Recommendation**

21. It is recommended that the proposed Standing Committee consider further the proposal for establishing a tax-deductible registered educational savings plan.

(c) Scholarship Credit Plan

The Committee believes that there are many students who have the ability to benefit from further education but are prevented from continuing their education not only because of financial barriers but also because of perceptions which undervalue the worth of advanced education. A scholarship credit plan is proposed to encourage students to value post-secondary education and to provide an incentive for academic achievement in secondary school. Such a plan, in the lower grades, would help in improving the climate for serious learning in schools and will be effective in changing the public attitude towards advanced education.

Beginning in Grade 8, 9, or 10, a student would "earn"

scholarship credits each year for post-secondary study by achieving a superior academic standing. These credits would then be "cashed-in" when a student entered a British Columbia post-secondary institution. While the present Grade 12 Scholarship Program benefits the top 3% of the students the Committee believes that directing the funds from an augmented secondary scholarship program to benefit younger students would provide motivation to many more students.

**Recommendation**

22. It is recommended that the Ministry of Education review the present Grade 12 Scholarship Program and consider the development of a scholarship credit plan.

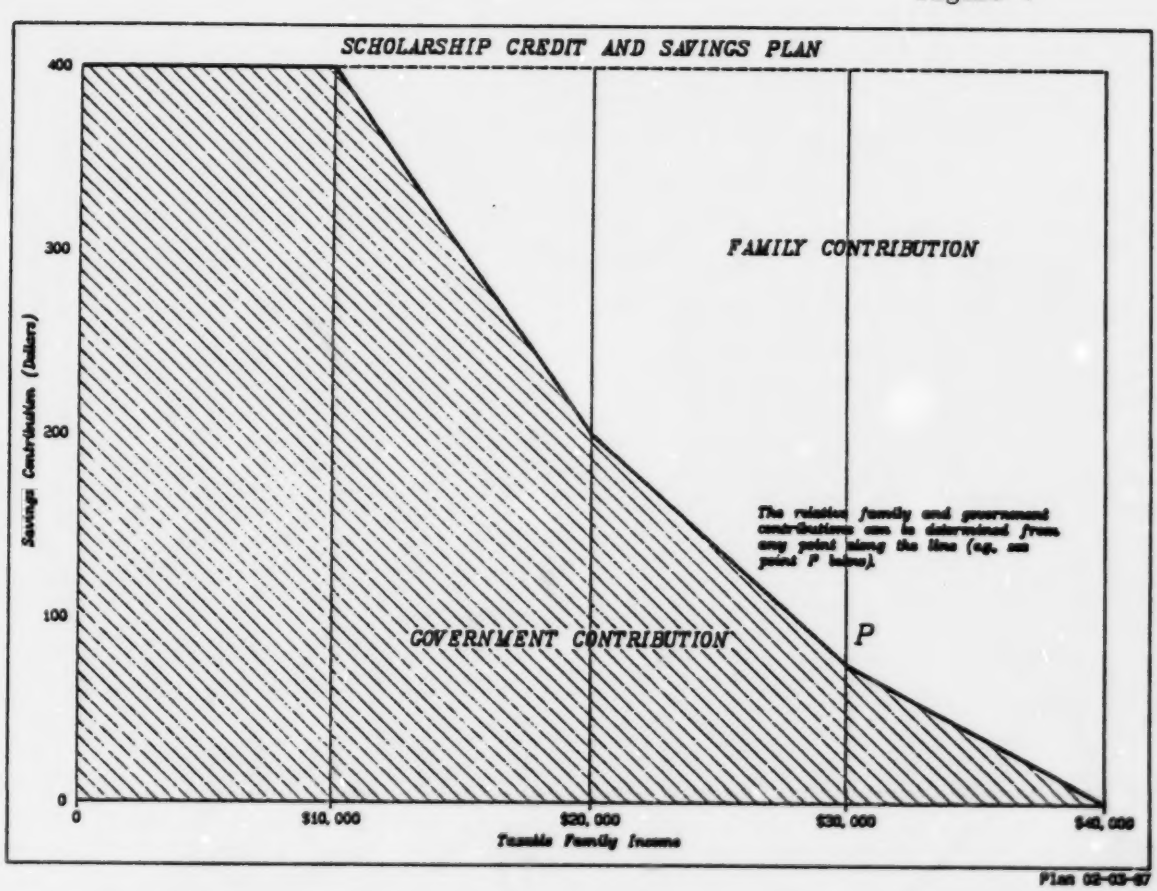
(d) Combination Scholarship Credit and Savings Plan.

This plan combines a strong savings component, using both family and government contributions, with a scholarship credit component for low income families. Scholarship credits would be awarded to high achieving students whose family taxable incomes are below $10,000. For high achieving students whose family taxable incomes are between $10,000 and $40,000, a family savings contribution would be required, augmented with a government contribution inversely proportional to taxable income.

To be eligible to "earn" credits all students would have to reach an appropriate academic standard each year. Savings contributions would be invested in a trust fund. Students who did not go on to post-secondary education would have their family contributions, with interest, returned. Contributions totalling less than $400 a year would, of course, be possible, but it would be necessary to have some upper limit.

This plan is designed not only to provide an incentive to

Figure 4


SCHOLARSHIP CREDIT AND SAVINGS PLAN
400
300
200
100
0
Savings Contribution (Dollars)
FAMILY CONTRIBUTION
The relative family and government contributions can be determined from any point along the line (e.g. see point P below).
GOVERNMENT CONTRIBUTION
P
0
$10,000
$20,000
$30,000
$40,000
Taxable Family Income
Plan 02-03-87

academic achievement but also to encourage early, prudent planning by families capable of putting aside savings to meet future needs. While the Committee sees the possibility of benefits from such a plan, it has not had the time nor the availability of expert advice to consider all the details. The graph below illustrates the concept.

**Recommendation**

23. It is recommended that the proposed Standing Committee consider further the proposal for a combination scholarship credit and savings plan, as well as alternative plans designed to achieve similar objectives.

(e) Corporate and Private Donations for Scholarships, matched by Government Funds

The Committee believes the government can assist in the expansion of endowed scholarship programs through the introduction of a plan which matches corporate and private donations. The effectiveness of this approach has been demonstrated by matching-grant programs such as those initiated by the Vancouver Foundation and the Government of Alberta. The potential for increasing corporate and private donations for scholarship purposes through a matching-grant program is considerable. The Committee believes that a portion of the funds from the Post-Secondary Scholarship Program should be used to fund the government's portion of the matching-grant program.

**Recommendation**

24. It is recommended that the Ministry of Advanced Education and Job Training establish a corporate and private donations matching-grant program for scholarships.

(f) Floating an Education Bond Issue

The Committee received a suggestion, through one of the submissions, to consider the value of financing a student financial assistance program by floating education bonds. The Committee reacted favourably to the idea but felt it lacked

the competence to make a judgement as to its practicality. It did feel, however, that education bonds issued to help in financing a student financial assistance program could be particularly attractive to investors.

**Recommendation**

25. It is recommended that the concept of an educational bond issue be considered by government.

(g) Provincial Lending Agency

The Committee discussed the possibility of establishing a provincial agency qualifying for lending purposes under the definition of a "bank" in the Canada Student Loan Act - Chapter S-17, section 2. The Committee felt there could be financial benefits to government and improved services to students from such an agency.

**Recommendation**

26. It is recommended that the Ministry of Advanced Education and Job Training and the Ministry of Finance and Corporate Affairs investigate the possibility of establishing a provincial lending agency.

(h) Consumer Education

To promote planning for post-secondary education, the Committee suggests that the alternatives for funding a post-secondary education, and the implications of those alternatives, should be presented to students. The Committee believes this information would be most effectively presented as a part of consumer education courses in secondary school. Many students do not appreciate the impact student loans can have on their futures.

It was also noted in submissions to the review that pre-loan counselling should be required when students apply for loans in order that they can make informed decisions about financing their education.

**Recommendation**

27. It is recommended that the Ministry of Education ensure, through the Consumer Education program, that students are fully informed of:
    (i) the funding alternatives available to enable all qualifying students to obtain access to post-secondary education; and
    (ii) the obligations assumed by students in using the various alternatives.

28. It is recommended that pre-loan counselling be provided to students requesting loans.

(i) Income Contingent Loan Repayment

The Committee considered the merits of an income contingent repayment plan. The appeal of such a scheme is that it would relate the repayment of student loans to the debtor's ability to pay. To date no government has established a working

program which makes repayment of student loans contingent on income.

The U.S. government recently announced the establishment of a pilot project in which repayment of student loans will be based on level of income. The Committee feels that this project will provide information on the viability of income contingent repayment plans for government sponsored student loans.

**Recommendation**

29. It is recommended that a watching brief be maintained on the income contingent pilot project recently established by the U.S. government.

## (2) Dependent Status and Parental Contribution

The issues of the length of time parents should be expected to contribute toward the cost of their children's education and the level of that assistance require further study. The present criteria for determining independent status do not necessarily reflect the reality of a student's situation. In addition, the parental contribution table currently in use has not been revised for several years and needs to be reviewed.

**Recommendations**

30. It is recommended that the criteria for determining dependent/independent status be reviewed and changed in order to better reflect reality. This should be a priority item.

31. It is recommended that the levels of parental contribution be reviewed. This should be a priority item.

**(3) Administrative Needs**

Through discussions and from consideration of many submissions, the Committee has recognized that numerous administrative needs must be addressed if the student financial assistance program is to be improved. For example, the need for adequate planning and program stability were cited often in the submissions.

A review of the Student Services Branch operations is currently in progress. It is anticipated that changes will occur as a result of recommendations from that review and will address problems identified in the submissions relating to the timeliness of financial assistance delivery.

The Financial Aid System currently being developed will provide electronic data transfer of student assessment information. It is felt this will help to eliminate problems relating to complexity of the system.

In conjunction with the electronic transfer of information, the question of centralization/decentralization of application processing should be addressed to determine the most effective method of program delivery.

The following four options are identified:

1) Applications assessed by institutions and forwarded to Ministry (status quo)
2) Applications assessed and documents produced at Ministry
3) Applications assessed by third party and documents produced at Ministry
4) Applications assessed and documents produced at the institutions.

**Recommendations**

32. It is recommended that changes suggested by the Student Services Branch Review should be considered for early implementation.

33. It is recommended that electronic data transfer development be given priority in the Ministry of Advanced Education and Job Training management information system plan.

34. It is recommended that a review be undertaken to determine the most effective method of program delivery (centralization/ decentralization).

## (4) Recommended Changes to the Canada Student Loan Program

The proposed British Columbia Student Financial Assistance Model is based on the assumption that students will continue to borrow from the Canada Student Loan Program to finance their education. Problems associated with the federal program are numerous and will continue unless changes are made. The Committee has been made aware of problems such as the limited effectiveness of the Part-time Loan Program, high debt load, inflexible repayment schedules and administrative issues. Appendix 6 outlines the issues.

**Recommendation**

35. It is recommended that the Province of British Columbia should continue to work with the other provinces to improve the Canada Student Loan Program. <u>This must be given a high priority.</u>

**(5) Eligibility of Private Trade Schools and Other Non-Public Institutions.**

Students attending private trade schools and non-public institutions are currently eligible for Canada Student Loans and non-remittable British Columbia Student Loans. Participation in the proposed student assistance model by students attending private trade schools and other non-public institutions needs to be considered.

**Recommendation**

36. It is recommended that the Ministry of Advanced Education and Job Training examine the implications of providing provincially-funded student financial assistance to students attending private trade schools and non-public institutions.

## X. CONCLUSION

The Committee's studies and deliberations over the past three months have led to a strong, unanimous conclusion: major improvements to British Columbia's Student Assistance Program are needed. They are needed not only to assist deserving students but also to support our society in its further economic and social development. Recognizing the many competing demands for public funds, the Committee has developed a model and phase-in schedule tailored to meet student financial needs in a rational manner. Full implementation of the model will bring expenditures for student financial assistance closer to the Canadian average. Furthermore, expenditures will be more effectively targetted. The model moves us towards the goal of equality of educational opportunity in a society which encourages full acceptance of personal responsibility. This goal demands our best, continuing efforts.

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**Comments:**

The funds are well targetted since they provide meaningful employment.

**13. Graduate Student Teaching Assistantship**

This program provides matching funds to British Columbia's universities to employ graduate students as teaching or research assistants.

**Comments:**

The program serves a useful purpose by addressing student needs at the graduate level.

**14. Summer Employment Program**

This program is jointly funded by the federal and provincial governments to provide summer employment to British Columbia's youth.

**Comments:**

This program is not entirely directed towards the post-secondary sector. The post-secondary component is not well targetted in that many of the jobs pay minimum wage and therefore do not provide students with the ability to save funds for educational use.
The money in the post-secondary sector should be better targetted to ensure wage levels sufficient to provide the opportunity to save for educational purposes.

APPENDIX 1

TABLE III

PROVINCIAL FINANCIAL ASSISTANCE EXPENDITURES PER FULL-TIME EQUIVALENT

| PROVINCE | 1982/83 ($) | 1983/84 ($) | 1984/85 ($) | 1985/86 ($) | 1986/87[3] ($) |
|---|---|---|---|---|---|
| British Columbia | 356 | 185 | 16[1] | 82[2] | 198 |
| Alberta | 462 | 698 | 1,187 | 1,332 | 1,537 |
| Saskatchewan | 226 | 368 | 380 | 473 | 1,674[4] |
| Manitoba | 302 | 204 | 217 | 214 | 243 |
| Ontario | 399 | 385 | 407 | 435 | 448 |
| Quebec | 510 | 528 | 607 | 731 | 1,368[5] |
| New Brunswick | 644 | 484 | 583 | 505 | 494 |
| Nova Scotia | 298 | 269 | 325 | 345 | -[6] |
| P.E.I. | 555 | 325 | 558 | 596 | 663 |
| Newfoundland | 900 | 795 | 367 | 464 | 1,367[7] |
| Average | 465 | 424 | 464 | 517 | 888 |

Source: Secretary of State Report to Parliament on Federal and Provincial Support to Post-Secondary Education in Canada, 1984/85 and 1985/86.

1. 1984/85 was the first year of the British Columbia Student Loan Program. The program will mature in 1988.

2. This figure is based on actual expenditures.

3. The 1986/87 figures are budgeted expenditures; the data was obtained through a telephone survey of all provinces on February 24 and 25, 1987.

4. Large increase is due to introduction of Supplementary Loan Program and Special Incentive Bursary Program in 1986.

5. Large increase may be due to change in reporting method.

6. 1986/87 figures are unavailable for Nova Scotia.

7. Large increase is due to introduction of Deferred Bursary Program which pays down Canada Student Loan.



Appendix 5 con't

**15. Student Venture Loan Program**

This program offers interest-free loans to students who wish to plan and operate a small business in the summer.

**Comments:**

Experience would indicate that this program does not enable students to save significant funds for educational purposes.

**TABLE IV**

**PROVINCIAL STUDENT ASSISTANCE EXPENDITURES (BUDGETED) 1986/87**

| PROVINCE | EXPENDITURES ($) | PER CAPITA ($) |
|---|---|---|
| British Columbia | 14,670,000 | 5.05 |
| Alberta | 116,000,000 | 48.55 |
| Saskatchewan | 43,300,000 | 42.41 |
| Manitoba | 7,073,600 | 6.56 |
| Ontario | 150,000,000 | 16.34 |
| Quebec | 456,000,000 | 68.81 |
| N.B. | 9,330,000 | 12.94 |
| Nova Scotia | ? | ? |
| P.E.I. | 1,980,000 | 15.46 |
| Newfoundland | 20,250,000 | 34.90 |

Source: The data was obtained through a telephone survey of all provinces, on February 24 and 25, 1987. Figures for Nova Scotia are unavailable. See Table III for detailed notes.

APPENDIX 2

TABLE V

STUDENTS WITH DEBT LOADS GREATER THAN $12,000

| STUDENT TYPE | # OF STUDENTS (SAMPLE OF 34,248) | AVG. DEBT PER STUDENT |
|---|---|---|
| Single, Dependent | 373 | $14,365 |
| Single, Independent | 2,978 | $15,548 |
| Married, No Dependents | 213 | $15,673 |
| Married, With Dependents | 242 | $16,811 |
| Single Parent | 318 | $17,117 |
| **TOTAL** | **4,124** | |

Source: Ministry of Advanced Education and Job Training

Notes: Sample is all British Columbia 85/86 financial assistance recipients and 86/87 financial assistance recipients to November 19, 1986.

The total debt of the 4,124 students is $64M which represents 29% of the total debt of the 34,248 students in the sample.

**APPENDIX 3**

## STUDENT AND PARENTAL CONTRIBUTION

The following examples are based on current levels of expected contribution.

I. A 19 year old student dependent on parents:

- If parents' income is $35,000 the parents would be expected to contribute $2,000 to the student's educational costs. This expected contribution would be included as a resource in the assessment of the student's need.

- Any resources, e.g. savings which the student has, will also be included in the assessment of need.

- In addition, the student is expected to work during the pre-term (summer) and contribute a portion of his earnings to his educational costs. For example, a student living at home during the pre-term would normally be expected to contribute a minimum of $920.

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II. A 25 year old student no longer dependent on parents:

- All resources will be included in the assessment of student's need.

- The student is expected to work during the pre-term (summer) and contribute a portion of his earnings to his educational costs. For example, a student earning $3,120 during the summer would be expected to contribute $920. A student earning $4,000 would be expected to contribute $1,360.

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**APPENDIX 4**

## RATIONALE FOR DEBT CEILING LIMITS

There is little research available to assist in the determination of appropriate levels of student debt. As noted in a study released by the (U.S.) National Association of Student Financial Aid Administrators[1] (NASFAA) in 1984, a desirable aid scheme is one that allows a student to borrow the funds necessary to meet educational expenses while keeping debt repayment below a percentage of income. There is little consensus with respect to the appropriate percentage of gross income which should be available for repayment of student loans; however, the NASFAA study concluded that 5% to 8% of gross income was acceptable.

For purposes of establishing debt ceilings, the Committee has chosen to use 8% of gross starting salary, the current Canada Student Loan interest rate of 10.375%, and the existing 9.5 year repayment term.

As may be appreciated, the range of starting salaries varies considerably by program. For determination of the debt ceiling for the first undergraduate degree/diploma, the Committee chose a gross starting salary of $2,100[2] per month, representing 1986 levels for a general B.Sc. degree.

1. "Stages in the Development of Financial Counselling and Debt Management Model",National Association of Student Financial Aid Administrators, Monograph Series No. 5, July, 1984.

2. Canada Employment Centre, The University of B.C., January 1987

The following equation was applied:

$2,100 x .08 = $168 per month available for student loan repayment

From the current Canada Student Loan repayment table, a debt of $12,000 can be repaid in 9.5 years with monthly repayments of $165.95. This led to the Committee's recommendation of a first degree/diploma limit of $12,000.

The appropriate ceiling for second degree programs is somewhat more arbitrary, since the range of salaries is considerably broader. The Committee selected a monthly starting salary of $2,700[1] for this group. This salary is representative of the 1986 starting salary for students with a graduate degree in Business Administration.

Following the previous example:

$2,700 x .08 = $216 per month available for student loan repayment

A $16,000 debt can be repaid in 9.5 years with monthly payments of $221.26. This led to the recommendation of a second degree limit of $16,000.

1. "Actual Recruiting Rates for 1986 University and College Graduates", Pay Research Bureau, Public Service Staff Relations Board, Canada

To recognize the fact that students may require financial assistance for two or more degrees, the Committee suggests the adoption of a cumulative formula for establishing an appropriate debt ceiling.

The formula is:

2nd degree ceiling - 1/2(accumulated loans on entry into program)
= debt ceiling for subsequent degree.

Example: - Student accumulated $12,000 debt in 1st degree.
- 2nd degree debt ceiling is $16,000

ceiling for subsequent degree = $16,000 - 1/2($12,000) = $6,000

Student's total accumulated debt = $16,000
+ 6,000
$22,000

**APPENDIX 5**

## CURRENT BRITISH COLUMBIA FINANCIAL ASSISTANCE PROGRAMS

The student financial assistance programs currently in place in British Columbia are described below. Following the description is a brief comment on the program. Not listed here is the federally-funded Canada Student Loan Program. The Committee's comments on the Canada Student Loan Program can be found in Appendix 6 of this report.

### 1. B.C.S.L. and Remission Program

The Province of British Columbia provides interest-free loans for students pursuing post-secondary education. The government pays the interest on the loan on the student's behalf until six months after graduation, at which time the borrower assumes the responsibility.

Maximum Loan

- $2,000 per academic year for students with no dependents
- $2,400 per academic year for student with dependents
- Lifetime limit - $15,000

Eligibility

- Enrolment in at least 60% of a program of study at least 12 weeks in length, in a designated institution

Upon successful completion of a program of study, students receive a grant equal to 25% of all negotiated B.C. Student Loans (i.e. - if a student borrowed $2,000, they would be required to repay only $1,500). Students who must move more than 50 kilometers in order to attend a B.C. post-secondary institution are eligible for a 33% remission.

**Comments:**

The shift to the British Columbia Student Loan Program has added to the large debt loads which many of British Columbia's students were already assuming under the Canada Student Loan Program. The remission component of the provincial loan program applies only to the B.C. Student Loan debt (at most 9% of the total student debt) and therefore has little impact on the student's total debt.

**2. Adult Basic Education Student Assistance Program**

Funds are available to assist students enrolled in Academic Upgrading, English Language Training and Employment Orientation programs in both colleges and secondary schools. The grants are intended to help students pay direct educational costs including tuition, books, transportation and daycare.

**Comments:**

The Committee feels that this is a worthwhile program, but it is seriously underfunded.

**3. Work-Study**

The Work-Study program is designed to help needy students enrolled in post-secondary institutions by providing them with employment opportunities both on and off campus. The Students Aiding Students Program is adminstered as part of Work-Study.

**Comments:**

The Committee feels that the work-study money is well targetted, providing both financial assistance and work experience to needy students. The Committee recommends, however, that the Students Aiding Students Program be reviewed by the proposed Standing Committee.

**4. Student Society Emergency Fund**

The Provincial Government makes available $100,000 to match funds raised by Student Societies to help needy students.

**Comments:**

This program has the value of encouraging student societies to become involved in financial assistance. The idea is sound; however, matching funding should be geared towards the creation of endowments.

**5. Private Training Institute Student Grant Program**

The program provides $100 grants to approximately 800 students attending private training schools. The awards are made on the basis of need, and most frequently go to Ministry of Social Services and Housing clients who require educational funding.

**Comments:**

The Committee feels the program serves a worthwhile purpose.

**6. Post-Secondary Scholarship**

Students who complete a year in the top 30% of their class at a B.C. university, college or institute are eligible for scholarships provided by the Provincial Government. These scholarships are designed to assist with tuition in the subsequent study year.

**Comments:**

The Committee found this program to be poorly targetted. It duplicates the efforts of other programs currently in place at the institutions.

**7. World College Scholarship**

The Province of British Columbia provides scholarships to enable British Columbia students to attend 2 year programs at Lester B. Pearson College of the Pacific, United College of the Adriatic and United World College of the Atlantic.

**Comments:**

The Committee feels this is a worthwhile program enabling British Columbia students to participate in a unique educational experience with students from other countries.

**8. Athletic Awards**

The awards are $1,000 each to 600 athletes involved in team sports in B.C.'s universities. The program is intended to compensate for the income loss which team athletes experience because of extra demands on their time.

**Comments:**

The Committee feels that this program serves a useful purpose in encouraging athletic excellence at the post-secondary level. At the moment a similar program is not available at the colleges or institutes.

**9. Premier's Excellence Fund**

A $5,000 Scholarship for scholastic achievement and community service is awarded to the top Grade 12 student in each B.C. college region who subsequently enrols in a B.C. post-secondary institution.

**Comments:**

This is a new program and seems to be well received.

**10. College Transfer Awards**

An award of $500 is available for top students in each college who have completed a minimum of one year of full-time study in the University Transfer program and are continuing their program of study at a B.C. university or the British Columbia Institute of Technology (B.C.I.T.).

**Comments:**

The Committee feels that this program is not well targetted as it overlaps with institutional awards.

**11. Grade 12 Relocation Awards**

a) Grade 12 Scholarship Supplement

An award of $1,500 is available for Grade 12 scholarship winners who must relocate more than 50 kilometers from their permanent residences to attend B.C. universities, colleges or institutes.

b) Grade 12 Performance Recognition Award

An award of $500 is available for Grade 12 students who write the Scholarship exams and achieve a high level of academic performance just below the scholarship level and who must relocate more than 50 kilometers from their permanent residences to attend post-secondary institutions.

**Comments:**

The Committee feels the funds could be better used to address regional inequities for needy students.

**12. Co-op Education Fund**

This program provides study-related employment opportunities for post-secondary students by providing salary subsidies to small private sector employers.

**TABLE VI**

**BRITISH COLUMBIA STUDENT FINANCIAL ASSISTANCE PROGRAMS**
**BUDGETED EXPENDITURES 1986/87**

| PROGRAM | FINANCIAL ASSISTANCE ONLY ($M) | EMPLOYMENT COMPONENT ($M) |
|---|---|---|
| Need-Based | | |
| B.C.S.L. and Remission | 6.20 | |
| ABESAP | .10 | |
| Work Study | | 2.7 |
| Student Society Emerg. Fund | .10 | |
| Private Training Inst. Grant | .10 | |
| Subtotal | 6.50 | 2.7 |
| Merit-Based | | |
| Post-Secondary Scholarship | 3.66 | |
| World College Sch. | .15 | |
| Athletic Awards | .60 | |
| Premier's Excellence Fund | .08 | |
| College Transfer Award | .08 | |
| Grade 12 Relocation Award | 1.00 | |
| Grade 12 Scholarship | 1.60 | |
| Subtotal | 7.17 | |
| Employment-Based | | |
| Co-op Education Fund | | .80 |
| Graduate Student Teaching | | 2.40 |
| Summer Employment Program | | 9.10* |
| Student Venture Loan Program | | .26* |
| Subtotal | | 12.56 |
| **TOTAL** | **13.67** | **15.26** |

* Only a portion of these funds are targetted to post-secondary students.

**APPENDIX 6**

## SOME ISSUES RELATED TO CANADA STUDENT LOAN PROGRAM

1. Interest Relief Program

The program is inflexible, is not delivered on a timely basis and is poorly publicized. These factors are exacerbated by the requirement that a student must apply every 3 months.

2. Part-time Program

Students enrolled in less than 60% of a full course load are eligible to apply for financial assistance to meet educational costs, but must begin repayment 30 days after negotiation.

This program is useful only to students with a temporary cash flow problem and does not provide assistance for those students who require funding for longer periods of time. The program parameters do not distinguish between the various types of part-time students.

3. Debt Load

The debt load accumulated by students borrowing at a rate of $105 per week of study under the Canada Student Loan Program is of concern. The federal government should be encouraged to consider ways of limiting debt.

4. Repayment Period

When the maximum amount a student can borrow under the Canada Student Loan Program was doubled, no adjustment was made to the repayment period. The repayment period should be reviewed because of the increased debt loads.

5. Interest Rate

The Canada Student Loan Program locks in the interest rate at the time of consolidation. This means there can be a wide variation in the rate of interest students pay on their Canada Student Loan debt, dependent on fluctuations in the prime rate. This is unfair to those students who consolidate at a time when interest rates are particularly high. Options which should be considered:

i) floating prime
ii) fixed interest with variable government subsidy
iii) floating interest with a ceiling.

6. Debt Awareness

Students should be advised of the amount of debt accumulated as they approach predetermined loan limits. The government may also wish to provide debt counselling in cooperation with the provinces.

7. Parental Contribution

The tables used to determine the amount of contribution expected from the parents of dependent students are currently inappropriate and should be reviewed annually.

8. Dependent/Independent Status

Current policy to determine dependent/independent status may no longer be appropriate and should be reviewed.

9. Income Tax Implications

Tax deductions should be changed to encourage savings for future educational costs and timely repayment of loans. Suggestions are:

i) allowing registered education savings plans to be tax deductible at time of donation and taxable to benefactor at time of use

ii) increasing the tax credit for educational allowances

iii) allowing tuition fees to be transferable as a tax deduction from the student to the spouse/parent who is supporting the student

iv) allowing interest payable on student loans to be tax deductible.

10. Administrative Issues

A number of administrative issues need to be addressed including timeliness of student and public information, a rational approach to planning and implementing new programs, improved cooperation between the Secretary of State and the banks and the need for an improved Canada Student Loan data base.